



STATE OF NORTH CAROLINA

RANDOLPH COMMUNITY COLLEGE

ASHEBORO, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2010

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

RANDOLPH COMMUNITY COLLEGE

ASHEBORO, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2010

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Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly Eaves Perdue, Governor
The General Assembly of North Carolina
Board of Trustees, Randolph Community College

We have completed a financial statement audit of Randolph Community College for the year ended June 30, 2010, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

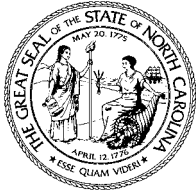
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Randolph Community College
Asheboro, North Carolina

We have audited the accompanying financial statements of Randolph Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Randolph Community College Foundation, Inc., the College's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for this entity, are based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Randolph Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

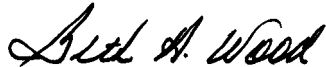
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Randolph Community College and its discretely presented component unit as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2011 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Beth A. Wood, CPA
State Auditor

April 12, 2011

RANDOLPH COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Randolph Community College's Annual Financial Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2010, and comparisons with June 30, 2009. College management has prepared this discussion, along with the financial statements and related notes to the financial statements. It should be read in conjunction with and is qualified in its entirety by the financial statements and notes to the financial statements. The financial statements, notes to the financial statements, and this discussion are the responsibility of College management.

Using the Annual Report/Overview of Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, and Governmental Accounting Standards Board Statement No. 39, determining whether certain organizations are component units. The financial statements presented focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

One of the most important questions asked about College finances is whether the College as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The College's net assets are one indicator of the College's financial health. Over time, increases or decreases in net assets is one indicator of the improvement or challenges of the College's financial health when considered with nonfinancial facts such as enrollment levels and the need for additional programs.

The Statement of Net Assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies State and county appropriations and gifts as nonoperating revenues. Public colleges' dependency on state and county aid and gifts usually results in an operating deficit under governmental accounting standards. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

information detailing the sources and uses of cash from operating activities, financing activities, capital-related activities and investing activities.

Financial Highlights

- The assets of Randolph Community College exceeded its liabilities at June 30, 2010, by \$25,347,822.98 (net assets). Net assets increased by \$1,028,085.67 over the prior year of 2009. This increase is attributable to construction completion, purchases of equipment, increased Campus Store sales and a grant award of \$200,000.00 in funds from the Golden LEAF Foundation.
- Operating revenues at June 30, 2010, increased from June 30, 2009, by \$740,025.78.
- Nonoperating revenues at June 30, 2010, increased from June 30, 2009, by \$1,529,210.11.
- Operating expenses increased at June 30, 2010, by \$2,727,305.08 over the same period in fiscal year 2009.
- Capital assets of Randolph Community College increased \$182,175.08.
- The College entered into a capital lease for welding equipment during the current fiscal year.

Financial Analysis of the College's Funds

Net Assets: This schedule is prepared from the College's Statement of Net Assets, which is presented on the accrual basis of accounting.

Net Assets As of June 30,

	<u>2009</u>	<u>2010</u>
Current Assets	\$ 1,859,929.75	\$ 2,609,972.65
Noncurrent Assets		
Capital Assets, Net of Depreciation	21,679,571.01	21,861,746.09
Other	<u>2,344,481.82</u>	<u>2,640,326.32</u>
Total Assets	25,883,982.58	27,112,045.06
Current Liabilities	573,670.31	969,649.71
Noncurrent Liabilities	<u>990,574.96</u>	<u>794,572.37</u>
Total Liabilities	1,564,245.27	1,764,222.08
Net Assets		
Invested in Capital Assets, Net of Debt	21,679,571.01	21,835,805.09
Restricted	2,555,338.67	2,979,821.35
Unrestricted	<u>84,827.63</u>	<u>532,196.54</u>
Total Net Assets	<u>\$ 24,319,737.31</u>	<u>\$ 25,347,822.98</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Total net assets at June 30, 2010, increased \$1,028,085.67 over the prior fiscal year 2009. Increases in restricted net assets, including invested in capital assets, were attributable to the completion of construction projects and increases in funds collected in the form of student fees. There were also several large purchases of equipment including computers for labs, machining equipment and equipment for the automotive services program. The College also received a \$200,000.00 grant from the Golden LEAF Foundation. There was a significant increase in sales in the Campus Store and Café as a result of enrollment growth as well as the implementation of a new Cosmetology program which contributed to the increase in unrestricted net assets.

Liabilities: Randolph Community College's liabilities at June 30, 2010 are comprised of accounts payable and payroll accruals, unearned revenue, funds held for others and compensated absences for employee vacation and bonus leave. Current liabilities include accounts payable at June 30, 2010, in the amount of \$574,333.50 compared to \$275,669.78 at June 30, 2009. The increase of \$298,663.72 included an increase in the payroll accrual and expense accrued for construction projects, but the majority of the increase was due to a \$248,222.00 payable to Randolph Community Foundation for a grant from Duke Energy initially received by the College. Unearned revenue is comprised of summer semester tuition that covers the portion of classes held after June 30.

Long term liabilities are comprised of compensated absences for employee vacation and bonus leave and a capital lease for welding equipment. The long-term portion of compensated absences decreased by \$196,002.59 from 2009 to 2010 due to the retirement of many long-term employees during the fiscal year. The College's policy is to record the cost of vacation leave when it is earned. The current portion of compensated absences, as well as the capital lease, is recorded as a current liability. The current portion for 2010 is \$225,245.51.

Revenues and Expenses: This schedule is prepared from the College's Statement of Revenues, Expenses, and Changes in Net Assets, which is presented on an accrual basis of accounting. State and local appropriations are not classified as operating revenue per GASB Statement No. 35, therefore the College will usually show a significant operating loss.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operation Results At June 30,

	As Restated 2009	2010
Operating Revenue		
Student Tuition and Fees, Net	\$ 1,652,225.16	\$ 2,183,314.88
Sales and Services, Net	1,227,350.26	1,422,182.93
Other Operating Revenues	98,630.33	112,733.72
Total Operating Revenues	2,978,205.75	3,718,231.53
Operating Expenses		
Salaries and Benefits	13,548,223.87	13,386,554.89
Supplies and Materials	1,883,985.92	3,251,316.61
Services	1,518,621.67	1,404,591.71
Scholarships and Fellowships	2,108,643.35	3,660,351.97
Utilities	552,918.19	599,930.28
Depreciation	683,511.73	720,464.35
Total Operating Expenses	20,295,904.73	23,023,209.81
Operating Loss	(17,317,698.98)	(19,304,978.28)
Nonoperating Revenues		
State Aid	10,278,594.69	9,213,002.70
County Appropriations	2,356,817.83	2,380,093.67
Noncapital Grants - Federal Student Financial Aid	2,752,183.02	4,893,304.33
Noncapital Grants	1,053,765.84	1,481,140.52
Other Nonoperating Revenues	276,117.49	279,147.76
Net Nonoperating Revenues	16,717,478.87	18,246,688.98
Loss Before Other Revenues	(600,220.11)	(1,058,289.30)
Capital Aid and Capital Grants	1,718,419.62	2,086,374.97
Increase in Net Assets	1,118,199.51	1,028,085.67
Net Assets, Beginning of Year	23,185,214.10	24,319,737.31
Restatement of Net Assets	16,323.70	
Net Assets, End of Year	\$ 24,319,737.31	\$ 25,347,822.98

Operating revenue increased by \$740,025.78. The major contributing factors were an increase in total tuition and fees due to record curriculum enrollment and an increase in sales and services in the College's Campus Store and food service.

Operating expenses for fiscal year 2010 increased by \$2,727,305.08 over fiscal year 2009. Expenses in the areas of supplies and materials increased \$1,367,330.69, largely attributable to increased purchases for resale in the Campus Store and noncapitalized equipment

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

purchases. The College experienced a 15% enrollment increase in 2009-2010 for the fall and spring semesters. The combination of increased federal financial aid awards and increased enrollment resulted in an increase of \$1,551,708.62 in expenditures for scholarships and fellowships.

Nonoperating revenue increased by \$1,529,210.11 in fiscal year 2010 over fiscal year 2009. This reflects a significant increase in student financial aid due to increased federal awards and increased enrollment as noted above. State appropriations decreased \$1,065,591.99 primarily due to budget reversions and budget transfers from State appropriations for equipment purchases. County appropriations increased \$23,275.84.

Other revenue is comprised mainly of State and county capital aid. This revenue increased by \$367,955.35 in fiscal year 2010, again, primarily due to an increase in budgeted funds transferred for equipment purchases.

Randolph Community College's total revenue increased \$2,637,191.24 from \$21,414,104.24 in 2009 to \$24,051,295.48 in 2010. The increase is related to the changes in operating, nonoperating and other revenue as stated previously, and is primarily due to the increase in student financial aid.

Capital Assets: Randolph Community College's investment in capital assets as of June 30, 2010 was \$21,861,746.09, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, infrastructure, equipment and vehicles. The total increase in Randolph Community College's investment in capital assets was \$182,175.08, net of depreciation. This increase was primarily due to the completion of the Richard Petty Education Center, other construction projects and large equipment purchases. Outstanding commitments on construction contracts were \$247,120.52 at June 30, 2010. These commitments are attributable to the current renovation of a furniture manufacturing facility acquired by the College in 2009.

Capital Assets, Net As of June 30,		
	2009	2010
Capital Assets	\$	\$
Land	641,299.53	765,491.10
Construction in progress	1,783,366.47	136,394.98
Buildings	22,809,269.87	24,741,474.20
General Infrastructure	682,739.34	860,401.34
Machinery and Equipment	3,515,450.59	3,824,289.14
Total	29,432,125.80	30,328,050.76
Less Accumulated Depreciation	7,752,554.79	8,466,304.67
Capital Assets, Net	\$ 21,679,571.01	\$ 21,861,746.09

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Economic and Other Factors Impacting Future Periods

The economic position of Randolph Community College is closely tied to that of the State of North Carolina. State appropriations and State capital aid for higher education comprise 43% of total revenues and are the largest source of funding for the College. North Carolina's Governor is mandated by State statute to balance the State's budget and has directed the Office of State Budget and Management to take the necessary steps to ensure this. For fiscal year 2010, community colleges were required to utilize a management flexibility reduction of 3% to the budget before submitting the 2-1 Budget document to the North Carolina Community College System Office, as well as a 5% budget reversion. Record enrollment growth in the community college system prompted the State to allocate 2% of these funds back to the colleges in the form of a reversion relief allotment.

Enrollment in curriculum programs at Randolph Community College once again reached record numbers for the fall 2010 semester. State appropriations for the 2011 fiscal year include funding for enrollment growth based on growth experienced in the previous academic year. This increased funding allowed for the hiring of additional faculty and staff to serve the record number of students enrolled. While enrollment growth was funded, the general economic forecast for fiscal year 2011 continues to cause concern. Considering these factors, Randolph Community College has developed a comprehensive plan to proactively manage the budget. Therefore, the College has a conservative budget in place and will consider all purchases carefully. Randolph County, as a whole, continues to experience layoffs but has experienced some growth in industry. The College will be training new workers for these industries in the coming year. JobsNOW and GATE (Growing America through Entrepreneurship) are programs at the College specifically intended to assist displaced workers with finding employment quickly.

Randolph Community College will be the recipient of tax revenue for the purpose of renovating a furniture manufacturing facility building that was acquired in 2009. The ¼ cent sales tax, voted into law in a referendum on March 2, 2010, went into effect on July 1, 2010 and the College will receive funds on a reimbursement basis through the county.

The biggest challenges facing the College are:

- The need for additional federal, State and local support;
- Meeting student needs as enrollment levels at the College continue to grow;
- Need for additional funding for equipment purchases;
- Need for additional funding for renovations of existing buildings and new buildings;
- Need for additional funding for new programs;
- Need for additional funding for high cost programs, for example, Health Sciences.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Requests for Information

This financial report is designed to provide a general overview of Randolph Community College's finances for all those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Randolph Community College, PO Box 1009, Asheboro, NC 27204.

Randolph Community College
Statement of Net Assets
June 30, 2010

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,114,103.02
Restricted Cash and Cash Equivalents	609,583.81
Receivables, Net (Note 3)	262,176.72
Inventories	624,109.10

Total Current Assets	2,609,972.65
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	2,440,326.32
Restricted Due from State of North Carolina Component Units	200,000.00
Capital Assets - Nondepreciable (Note 4)	901,886.08
Capital Assets - Depreciable, Net (Note 4)	20,959,860.01

Total Noncurrent Assets	24,502,072.41
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Total Assets	27,112,045.06
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	574,333.50
Unearned Revenue	157,221.20
Funds Held for Others	12,849.50
Long-Term Liabilities - Current Portion (Note 6)	225,245.51

Total Current Liabilities	969,649.71
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Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	794,572.37
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Total Liabilities	1,764,222.08
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	21,835,805.09
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Restricted for:

Expendable:

Scholarships and Fellowships	395.09
Loans	1,298.96
Capital Projects	2,440,326.32
Restricted for Specific Programs	537,800.98

Unrestricted	532,196.54
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Total Net Assets	\$ 25,347,822.98
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The accompanying notes to the financial statements are an integral part of this statement.

***Randolph Community College
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2010***

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	\$ 2,183,314.88
Sales and Services, Net (Note 8)	1,422,182.93
Other Operating Revenues	112,733.72
	<hr/>
Total Operating Revenues	3,718,231.53
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EXPENSES

Operating Expenses:	
Salaries and Benefits	13,386,554.89
Supplies and Materials	3,251,316.61
Services	1,404,591.71
Scholarships and Fellowships	3,660,351.97
Utilities	599,930.28
Depreciation	720,464.35
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Total Operating Expenses	23,023,209.81
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Operating Loss	(19,304,978.28)
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NONOPERATING REVENUES

State Aid	9,213,002.70
County Appropriations	2,380,093.67
Noncapital Grants - Federal Student Financial Aid	4,893,304.33
Noncapital Grants	1,481,140.52
Noncapital Gifts	213,011.60
Investment Income	30,019.77
Other Nonoperating Revenues	36,116.39
	<hr/>
Net Nonoperating Revenues	18,246,688.98
	<hr/>
Loss Before Other Revenues	(1,058,289.30)
	<hr/>
State Capital Aid	1,052,133.20
County Capital Aid	752,906.33
Capital Grants	281,335.44
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Increase in Net Assets	1,028,085.67

NET ASSETS

Net Assets, July 1, 2009	24,319,737.31
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Net Assets, June 30, 2010	\$ 25,347,822.98
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The accompanying notes to the financial statements are an integral part of this statement.

Randolph Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 3,647,893.56
Payments to Employees and Fringe Benefits	(13,452,371.84)
Payments to Vendors and Suppliers	(5,117,279.62)
Payments for Scholarships and Fellowships	(3,660,351.97)
Other Receipts	39,598.58
	<u>39,598.58</u>
Net Cash Used by Operating Activities	<u>(18,542,511.29)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	9,213,002.70
County Appropriations	2,380,093.67
Noncapital Grants - Federal Student Financial Aid	4,893,304.33
Noncapital Grants Received	1,481,140.52
Noncapital Gifts	213,011.60
	<u>213,011.60</u>
Cash Provided by Noncapital Financing Activities	<u>18,180,552.82</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	1,187,793.50
County Capital Aid	752,906.33
Capital Grants Received	81,335.44
Acquisition and Construction of Capital Assets	(873,013.02)
Principal Paid on Capital Lease	(7,165.38)
	<u>(7,165.38)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>1,141,856.87</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	<u>30,019.77</u>
Net Increase in Cash and Cash Equivalents	809,918.17
Cash and Cash Equivalents, July 1, 2009	<u>3,354,094.98</u>
Cash and Cash Equivalents, June 30, 2010	<u>\$ 4,164,013.15</u>

Randolph Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

Exhibit A-3
Page 2

**RECONCILIATION OF OPERATING LOSS
TO NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (19,304,978.28)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	720,464.35
Miscellaneous Nonoperating Income	39,596.36
Changes in Assets and Liabilities:	
Receivables, Net	(63,579.79)
Inventories	(108,049.74)
Accounts Payable and Accrued Liabilities	298,663.72
Unearned Revenue	(6,758.18)
Funds Held for Others	2.22
Compensated Absences	(117,871.95)
	<u>(117,871.95)</u>
Net Cash Used by Operating Activities	<u>\$ (18,542,511.29)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 1,114,103.02
Restricted Cash and Cash Equivalents	609,583.81
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>2,440,326.32</u>
Total Cash and Cash Equivalents - June 30, 2010	<u>\$ 4,164,013.15</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 33,106.38
Increase in Receivables Related to Nonoperating Income	200,000.00

The accompanying notes to the financial statements are an integral part of this statement.

Randolph Community College Foundation, Inc.
Statement of Financial Position
June 30, 2010

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	395,254
Investments Held by Fiscal Agent		7,792,770
Accounts Receivable		250,038
Pledges Receivable		3,902
Coin Collection		300
		<hr/>
Total Assets		8,442,264

LIABILITIES

Accounts Payable		1,406
		<hr/>
Total Liabilities		1,406

NET ASSETS

Unrestricted		1,022,512
Temporarily Restricted		3,923,128
Permanently Restricted		3,495,218
		<hr/>
Total Net Assets	\$	8,440,858

The accompanying notes to the financial statements are an integral part of this statement.

Randolph Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Exhibit B-2

REVENUES, GAINS AND OTHER SUPPORT:	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions	\$ 0	\$ 371,636	\$ 44,790	\$ 416,426
Income Earned on Investments	45,377	314,350		359,727
Net Realized and Unrealized Gains on Investments	108,832	742,838		851,670
Net Assets Released from Restrictions				
Satisfaction of Program Restrictions	330,067	(330,067)		
Total Revenues, Gains and Other Support	484,276	1,098,757	44,790	1,627,823
EXPENSES:				
Contributions to Randolph Community College for:				
Scholarships	121,808			121,808
Support of Various College Programs	103,980			103,980
Grants	11,916			11,916
Special Projects	39,612			39,612
Management and General	94,092			94,092
Total Expenses	371,408			371,408
Change in Net Assets	112,868	1,098,757	44,790	1,256,415
Net Assets - Beginning of Year	909,644	2,824,371	3,450,428	7,184,443
Net Assets - End of Year	<u>\$ 1,022,512</u>	<u>\$ 3,923,128</u>	<u>\$ 3,495,218</u>	<u>\$ 8,440,858</u>

The accompanying notes to the financial statements are an integral part of this statement.

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RANDOLPH COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Randolph Community College is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and its component units for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. The discretely presented component unit's financial data are reported in separate financial statements because of its use of different GAAP reporting models and to emphasize its legal separateness.

Discretely Presented Component Unit - Randolph Community College Foundation, Inc. (Foundation) is a not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 23 directors, six of which serve by virtue of their position with the College or Board of Trustees. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Randolph Community College Foundation, Inc., is a private not-for-profit organization that reports its financial results under Financial

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2010, the Foundation distributed \$237,704.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Joyce Wolford, Senior Foundation Director, at (336) 633-0295.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, the full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange includes State appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- D. Cash and Cash Equivalents** - This classification includes petty cash, cash on deposit with private bank accounts, money market accounts, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued using the Courseworks/Booklog Point of Sale (POS) System. Cost of goods is input into the system using the invoice for these goods. The software keeps a running total (average) for inventory valuation.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs.

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 50 years for general infrastructure, 10 to 50 years for buildings, and 5 to 30 years for equipment.

The College does not capitalize the *Library & Audio Visual* collection. This collection adheres to the College's policy to maintain for public exhibition, education, or research; protect, keep unencumbered, care for, and preserve; and require proceeds from their sale to be used to acquire other collection items. Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

- H. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted or designated for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.

- I. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous June 30 plus the leave earned, less the leave taken between July 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next fiscal year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

There is no liability for unpaid accumulated sick leave because the College has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

- K. Net Assets** - The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt - This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted Net Assets - Expendable - Expendable restricted net assets include resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Unrestricted Net Assets - Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

L. Scholarship Discounts - Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

M. Revenue and Expense Recognition - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, State, and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and State aid that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- N. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as campus food, campus store, and print shop. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.
- O. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling \$2,700.00, and deposits in private financial institutions with a carrying value of \$1,880,179.82 and a bank balance of \$2,015,172.19.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2010, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The College is authorized to invest idle funds as provided by G.S. 115D-58.6. In accordance with this statute, the College and the Board of Trustees manage investments to ensure they can be converted into cash when needed.

Generally, funds belonging to the College may be invested in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings and banker's acceptances; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity.

At June 30, 2010, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$2,281,133.33 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.6 years as of June 30, 2010. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

A reconciliation of deposits and investments for the College to the basic financial statements at June 30, 2010, is as follows:

Cash on Hand	\$	2,700.00
Carrying Amount of Deposits with Private Financial Institutions		1,880,179.82
Investments in the Short Term Investment Fund		<u>2,281,133.33</u>
 Total Deposits and Investments	 \$	 <u><u>4,164,013.15</u></u>
 Current:		
Cash and Cash Equivalents	\$	1,114,103.02
Restricted Cash and Cash Equivalents		609,583.81
Noncurrent:		
Restricted Cash and Cash Equivalents		<u>2,440,326.32</u>
 Total	 \$	 <u><u>4,164,013.15</u></u>

Component Unit - Investments of the College's discretely presented component unit, Randolph Community College Foundation, Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

	Gross Cost	Fair Value	Carrying Value
Cash and Cash Equivalents	\$ 218,681	\$ 1,546,092	\$ 1,546,092
Equity Mutual Funds	3,286,255	3,811,599	3,811,599
Fixed Income Funds	<u>2,361,993</u>	<u>2,435,079</u>	<u>2,435,079</u>
 Total Investments Held by Fiscal Agent	 <u><u>\$ 5,866,929</u></u>	 <u><u>\$ 7,792,770</u></u>	 <u><u>\$ 7,792,770</u></u>

NOTE 3 - RECEIVABLES

Receivables at June 30, 2010, were as follows

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 193,216.80	\$ 61,766.96	\$ 131,449.84
Accounts	110,844.77		110,844.77
Intergovernmental	1,833.06		1,833.06
Other	<u>18,049.05</u>		<u>18,049.05</u>
 Total Current Receivables	 <u><u>\$ 323,943.68</u></u>	 <u><u>\$ 61,766.96</u></u>	 <u><u>\$ 262,176.72</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2010, is presented as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital Assets, Nondepreciable:				
Land	\$ 641,299.53	\$ 124,191.57	\$ 0.00	\$ 765,491.10
Construction in Progress	1,783,366.47	81,530.50	1,728,501.99	136,394.98
Total Capital Assets, Nondepreciable	2,424,666.00	205,722.07	1,728,501.99	901,886.08
Capital Assets, Depreciable:				
Buildings	22,809,269.87	1,932,204.33		24,741,474.20
Machinery and Equipment	3,515,450.59	319,032.99	10,194.44	3,824,289.14
General Infrastructure	682,739.34	177,662.00		860,401.34
Total Capital Assets, Depreciable	27,007,459.80	2,428,899.32	10,194.44	29,426,164.68
Less Accumulated Depreciation for:				
Buildings	6,319,713.77	470,530.11		6,790,243.88
Machinery and Equipment	1,228,517.89	233,586.77	6,714.47	1,455,390.19
General Infrastructure	204,323.13	16,347.47		220,670.60
Total Accumulated Depreciation	7,752,554.79	720,464.35	6,714.47	8,466,304.67
Total Capital Assets, Depreciable, Net	19,254,905.01	1,708,434.97	3,479.97	20,959,860.01
Capital Assets, Net	\$ 21,679,571.01	\$ 1,914,157.04	\$ 1,731,981.96	\$ 21,861,746.09

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2010, were as follows:

	Amount
Accounts Payable	\$ 292,566.87
Accrued Payroll	281,766.63
Total Accounts Payable and Accrued Liabilities	\$ 574,333.50

NOTE 6 - LONG-TERM LIABILITIES

Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2010, is presented as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Capital Leases Payable	\$ 0.00	\$ 33,106.38	\$ 7,165.38	\$ 25,941.00	\$ 25,941.00
Compensated Absences	1,111,748.83	546,051.26	663,923.21	993,876.88	199,304.51
Total Long-Term Liabilities	\$ 1,111,748.83	\$ 579,157.64	\$ 671,088.59	\$ 1,019,817.88	\$ 225,245.51

Additional information regarding capital lease obligations is included in Note 7.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - LEASE OBLIGATIONS

- A. Capital Lease Obligations** - Capital lease obligations relating to welding equipment are recorded at the present value of the minimum lease payments. The lease payments represent a 0% interest rate. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2010:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 25,941.00

Machinery and equipment acquired under capital lease amounted to \$33,106.38 at June 30, 2010.

- B. Operating Lease Obligations** - The College entered into operating leases for property rental, copiers and a mailing system. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2010:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 125,966.10
2012	112,794.60
2013	102,872.10
2014	84,984.60
2015	78,058.80
Total Minimum Lease Payments	\$ 504,676.20

Rental expense for all operating leases during the year was \$159,010.34.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - REVENUES

A summary of eliminations and allowances by revenue classification is presented as follows:

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	\$ 3,452,624.92	\$ 0.00	\$ 1,258,864.99	\$ 10,445.05	\$ 2,183,314.88
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Dining	\$ 260,607.53	\$ 6,980.96	\$ 0.00	\$ 0.00	\$ 253,626.57
Health, Physical Education and Recreation Services	13,704.50				13,704.50
Bookstore	1,812,859.15		676,639.78		1,136,219.37
Cosmetology	17,434.99				17,434.99
Sales and Services of Education and Related Activities	1,197.50				1,197.50
Total Sales and Services	\$ 2,105,803.67	\$ 6,980.96	\$ 676,639.78	\$ 0.00	\$ 1,422,182.93

NOTE 9 - OPERATING EXPENSES BY FUNCTION

The College's operating expenses by functional classification are presented as follows:

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 8,075,635.94	\$ 1,392,502.35	\$ 266,031.04	\$ 27,464.50	\$ 0.00	\$ 0.00	\$ 9,761,633.83
Public Service	46,383.91	5,367.02	1,385.80				53,136.73
Academic Support	1,126,304.42	35,961.58	29,722.56				1,191,988.56
Student Services	749,695.87	27,715.14	60,711.44	26,554.26			864,676.71
Institutional Support	2,243,870.68	95,140.23	423,212.29				2,762,223.20
Operations and Maintenance of Plant	834,462.49	129,227.88	576,758.64		599,930.28		2,140,379.29
Student Financial Aid				3,606,333.21			3,606,333.21
Auxiliary Enterprises	310,201.58	1,565,402.41	46,769.94				1,922,373.93
Depreciation						720,464.35	720,464.35
Total Operating Expenses	\$ 13,386,554.89	\$ 3,251,316.61	\$ 1,404,591.71	\$ 3,660,351.97	\$ 599,930.28	\$ 720,464.35	\$ 23,023,209.81

NOTE 10 - PENSION PLANS

A. Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units and local boards of education. The plan is administered by the North Carolina State Treasurer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2010, these rates were set at 3.57% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$11,055,926.75, of which \$8,432,054.71 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$301,024.35 and \$505,923.34, respectively.

Required employer contribution rates for the years ended June 30, 2009, and 2008, were 3.36% and 3.05%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2010, 2009, and 2008, which were \$301,024.35, \$293,795.94, and \$259,611.25, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Deferred Compensation and Supplemental Retirement Income Plans** - IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

College. There were no voluntary contributions by employees for the year ended June 30, 2010.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. The voluntary contributions by employees amounted to \$195,132.00 for the year ended June 30, 2010.

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. There were no voluntary contributions by employees for the year ended June 30, 2010.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Benefits** - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

The Plan's benefit and contribution provisions are established by *North Carolina General Statute 135-7* and Chapter 135, Article 3A, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Teachers' and State Employees' Retirement System and contributions to the fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly.

For the current fiscal year the College contributed 4.5% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2009, and 2008, were 4.1% and 4.1%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2010, 2009, and 2008, which were \$379,442.46, \$358,501.00, and \$348,985.60, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Disability Income** - The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2010, the College made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2009, and 2008, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2010, 2009, and 2008, which were \$43,846.68, \$45,468.41, and \$44,261.60, respectively. The College

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

assumes no liability for long-term disability benefits under the Plan other than its contribution.

Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 12 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Tort claims of up to \$1,000,000 are retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The community college pays premiums to the North Carolina Department of Insurance for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

The College is protected for losses from employees paid from county and institutional funds by a policy with a local insurance company with coverage of \$100,000 per occurrence with a \$500 deductible (Blanket Bond).

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a pension and other employee benefit trust fund of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from State funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the Board entirely from county or institutional funds.

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

Additional details on the State-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

NOTE 13 - COMMITMENTS

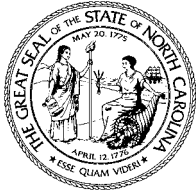
The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$247,120.52 at June 30, 2010.

NOTE 14 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2010, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

GASB Statement No. 51, requires reporting certain intangible assets as capital assets.



Beth A. Wood, CPA
State Auditor

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**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Randolph Community College
Asheboro, North Carolina

We have audited the financial statements of Randolph Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements and have issued our report thereon dated April 12, 2011. Our report was modified to include a reference to other auditors.

As discussed in Note 14 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Randolph Community College Foundation, Inc., the discretely presented component unit, as described in our report on the College's financial statements. The financial statements of Randolph Community College Foundation, Inc., the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the College, the Board of Trustees, others within the entity, the State Board of Community Colleges, the Governor, the General Assembly, and the State Controller, and is not intended to be and should not be used by anyone other than these specified parties.



Beth A. Wood, CPA
State Auditor

April 12, 2011

ORDERING INFORMATION

Audit reports issued by the Office of the State Auditor can be obtained from the web site at www.ncauditor.net. Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

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